

Message Text

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FM AMEMBASSY VIENNA

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UNIDO

PASS IO/DHP AND AID/IIA

E.O. 11652:N/A

TAGS: UNDP, EIND, UNIDO

SUBJECT: SECOND 1978 ECOSOC: FUTURE OF INDUSTRY COOPERATIVE

- PROGRAM (ICP)

REF: GENEVA 10259, STATE 178551

1. ALTHOUGH MISSION HAS NO BACKGROUND ON INDUSTRY COOPERATIVE PROGRAM (ICP), IF ICP IS, AS WE UNDERSTAND FROM REF TELS, A MULTINATIONAL PRIVATE BUSINESSMAN'S GROUP IN LIAISON WITH INTERNATIONAL ORGANIZATIONS, WE HEARTILY ENDORSE DEPUTY ASSISTANT SECRETARY BARRY'S IDEA OF AN ICP LINK WITH UNIDO.

2. IT IS UNFORTUNATELY TRUE THAT UNIDO HAS HAD A GENERALLY NEGATIVE REPUTATION IN PAST. THERE IS SOME EVIDENCE THAT THIS IS BEGINNING TO CHANGE, AT LEAST AT THE MARGIN. UNIDO HAS SUBSTANTIALLY STEPPED UP ITS CONTACTS WITH THE PRIVATE

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SECTOR IN INDUSTRIALIZED COUNTRIES IN RECENT MONTHS AND MANY OF ITS ACTIVITIES INCREASINGLY INVOLVE DIRECT PARTICIPATION BY INDUSTRY REPRESENTATIVES, E.G., INDUSTRY SECTOR CONSULTATIONS, NEW INVESTMENT PROMOTION OFFICES IN BRUSSELS, COLOGNE, AND NEW YORK. U.S. INDUSTRY PARTICIPATION IN FOLLOWUP WORK IN STEEL AND LEATHER SECTOR CONSULTATIONS HAS BEEN ACTIVE, EVEN ENTHUSIASTIC. THE SAME APPEARS TO BE

TRUE WITH RESPECT TO INDUSTRIALISTS FROM THE WESTERN COUNTRIES (INCLUDING NORDICS). IT WOULD APPEAR TO THIS MISSION THAT ICP LINK WITH UNIDO WOULD ENCOURAGE CONTINUATION OF THIS PROMISING TREND. PERHAPS SIMONS COULD BE PERSUADED TO TAKE ANOTHER LOOK AT THIS SITUATION.

3. REGARDING ICP DESIRE FOR A "CONSORTIUM" LINK, DEPARTMENT MAY WISH TO POINT OUT TO SIMONS THAT UNIDO ALREADY HAS A FORMAL LINK WITH THE WORLD BANK IN THE FIELD OF INVESTMENT COOPERATION, NAMELY THE JOINT WORLD BANK/UNIDO PROGRAM IN UNIDO'S INVESTMENT COOPERATIVE PROGRAM OFFICE (ICPO). THE ACTIVITIES OF ICPO, WHICH IS STAFFED BY BOTH UNIDO AND WORLD BANK EMPLOYEES, FALL UNDER THREE BROAD CATEGORIES: (1) THE IDENTIFICATION OF INVESTMENT PROJECTS IN DEVELOPING COUNTRIES; (2) THE PROMOTION OF THESE PROJECTS AMONG INDUSTRIALISTS AND FINANCIAL SOURCES IN DEVELOPED COUNTRIES; AND (3) WORLD BANK GROUP MISSIONS UNDERTAKEN VIA THE WORLD BANK/UNIDO COOPERATIVE PROGRAM.

4. AT PRESENT, THERE ARE IN ICPO'S PORTFOLIO OF INVESTMENT PROJECTS 41 DEVELOPING COUNTRIES WITH "ACTIVE" PROJECTS, RESULTING IN ABOUT 550 INVESTMENT PROJECT PROPOSALS IN VARIOUS STAGES OF PREPARATION. THE INVESTMENT VALUE OF THE PROPOSALS IS ABOUT \$20 BILLION DOLLARS. 250 OF THESE INVESTMENT PROPOSALS WERE IDENTIFIED IN 1977 ALONE, THE BULK THROUGH ICPO MISSIONS TO SOME 24 DEVELOP-

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ING COUNTRIES. BY THE END OF 1978, ICPO WILL HAVE INCREASED ITS ACTIVE PROMOTION TO 57 COUNTRIES.

5. PROMOTION OF INVESTMENT PROJECTS IS CARRIED OUT VIA INVESTMENT PROMOTION MEETINGS SUCH AS THE LATIN AMERICAN-EUROPEAN BUSINESS CORPORATION SYMPOSIUM HELD LAST OCTOBER IN MONTREUX AND THROUGH INVESTMENT PROMOTION OFFICES. IN 1977, ICPO ORGANIZED 6 PROMOTIONAL MEETINGS. THIS YEAR THERE WILL BE 14. IN ADDITION TO THE INVESTMENT PROMOTION OFFICES IN BRUSSELS, NEW YORK AND COLOGNE, TWO MORE ARE PLANNED FOR ZURICH AND MILAN. THESE INVESTMENT PROMOTION OFFICES WILL, INTER ALIA, PROVIDE ON-THE-JOB TRAINING OPPORTUNITIES FOR OFFICIALS FROM DEVELOPING COUNTRIES IN THE TECHNIQUES AND METHODS OF INVESTMENT PROMOTION. IT IS ENVISAGED THAT TWO OFFICIALS EACH FROM SOME 48 DEVELOPING COUNTRIES WILL BE TRAINED IN A THREE YEAR PERIOD.

6. THE LIMA DECLARATION AND PLAN OF ACTION RESULTING FROM UNIDO'S SECOND GENERAL CONFERENCE IN 1975 HAS PRODUCED A GOOD NUMBER OF CONFRONTATIONAL POINTS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES. THE ACTIVITIES OF ICPO HAVE DONE MUCH TO BLUNT THESE POTENTIAL CONFRONTA-

TIONS. ICPO HAS DEFINED REDEPLOYMENT, FOR INSTANCE, AS THE FLOW OF PRODUCTIVE CAPACITIES FROM A DEVELOPED TO A DEVELOPING COUNTRY ON THE BASIS OF MUTUAL INTEREST OF THE PARTIES INVOLVED. IN PRACTICAL TERMS, ICPO HAS UTILIZED THE SERIES OF REDEPLOYMENT STUDIES BY UNIDO'S INTERNATIONAL CENTER FOR INDUSTRIAL STUDIES (ICIS) TO IDENTIFY ABOUT 150 CASES WHERE A LINE OF PRODUCTION IS NO LONGER COST COMPETITIVE IN AN INDUSTRIALIZED COUNTRY, BUT WOULD BE SO IF THE MANUFACTURING ACTIVITY WERE TRANSFERRED TO A DEVELOPING COUNTRY. LIKEWISE, ICPO HAS FOUND THAT THE VARIOUS CONSULTATIONS MEETINGS PROVIDE MANY OPPORTUNITIES FOR PURSUING "REDEPLOYMENT" ON A PRACTICAL INVESTMENT BASIS.

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7. THE MISSION FEELS THAT ICPO ACTIVITIES HAVE BEEN SUCH AS TO PROMOTE A POSITIVE ATMOSPHERE IN ITS CONTACTS WITH THE BUSINESS COMMUNITY. ITS IMMEDIATE TASK IS THAT OF MOBILIZING INVESTMENT RESOURCES FOR DEVELOPING COUNTRIES. ITS STRUCTURE AND STAFFING ENSURES THAT IT DOES SO AS AN "HONEST BROKER" BETWEEN PROJECT SPONSORS AND INVESTORS. IN ITS STILL SHORT PERIOD OF EXISTENCE, ICPO HAS DEMONSTRATED THE POTENTIAL EXISTING WITHIN UNIDO TO GENERATE BUSINESS GOOD FOR BOTH DEVELOPED AND DEVELOPING COUNTRIES.

8. MISSION WOULD BE INTERESTED IN RECEIVING REPORT OF SCHEDULED JULY 24 MEETING OF ICP EXECUTIVE BOARD IN GENEVA. LEARY

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